



COUNCIL MINUTES

February 25, 2016

The City Council of the City of Mesa met in a Special Council Meeting in the Council Chambers, 57 East 1st Street, on February 25, 2016 at 7:30 a.m.

COUNCIL PRESENT	COUNCIL ABSENT	OFFICERS PRESENT
John Giles Alex Finter Christopher Glover Dennis Kavanaugh David Luna Dave Richins Kevin Thompson	None	Christopher Brady Jim Smith Dee Ann Mickelsen

(*Councilmember Luna participated in the meeting through the use of telephonic equipment.)

1. Take action on the following contract:

- 1-a. Dollar-Limit Increase and Month-to-Month Contract Extension for General Security Services for Various City Facilities as requested by the Parks, Recreation and Community Facilities (PRCF) Department. **(Citywide)**

A protest was received on the new contract and the Protest Officer reviewed the issues, and denied the protest. The protestor filed an appeal of the protest decision and the City Manager's Office is currently reviewing the appeal. The contract expires on 2/28/2016 and the City requests extending the current agreement with ICU Security Group until the matter is resolved and a new contract is awarded. Also, the current contract does not have sufficient funds to make the last month's payment.

PRCF and Purchasing recommend authorizing a dollar-limit increase with ICU Security Group, at \$70,000.00, increasing the current contract amount from \$650,000.00 to \$720,000.00 and authorizing a month-to-month extension with ICU Security Group, at \$70,000.00 monthly, based on estimated requirements.

It was moved by Councilmember Richins, seconded by Vice Mayor Kavanaugh, that the contract be approved.

Carried unanimously.

2. Take action on the following resolution:

- 2-a. Approving and authorizing the City Manager to enter into two Purchase and Sale Agreements and a Development Agreement with Mesa Housing Associates II, LLC., for the conveyance of approximately 2 acres of real property at the 50-100 block of West 1st Avenue for the development of a 5-story, 71-unit affordable senior housing development and a 3-story, 24-unit market-rate housing development. **(District 4)**

Deputy City Manager Natalie Lewis introduced Development and Sustainability Project Manager Jeff McVay, who was prepared to assist with the presentation.

Ms. Lewis displayed a PowerPoint presentation **(See Attachment 1)** and provided a brief overview of the Encore II Proposal. She explained the components of the project site that include senior affordable housing on Lot 1, a continuation of the Encore I project, and the market-rate project on Lot 2. She added that both projects must begin construction no later than August 31, 2017 and construction completed no later than October 31, 2018. (See Page 3 of Attachment 1)

Ms. Lewis stated that the projects must be consistent with the same quality as Encore I; that it must comply with the design plans in the proposal; and should ensure reciprocal access to both parcels and parking for both projects as well as street improvements that follow future 1st Avenue streetscape design. (See Page 4 of Attachment 1)

Mr. McVay continued with the presentation and explained that the project consists of one development agreement with two separate purchase agreements, in order to pursue the Low Income Housing Tax Credit (LIHTC). He briefly highlighted the purchase agreement for Lot 1, which will allow for senior housing development of a 71-unit building with parking. He stated that part of the purchase agreement is a contribution of the land by the City, however, that land closing will not take place until the tax credit award. He further reported that there is a reverter clause in the agreement that states if the developer is unable to perform, the land will revert back to the City.

In response to a question from Councilmember Finter, Mr. McVay responded that the tax credit application deadline is March 1st and that awards are usually announced early to mid-summer. He added that once awards are announced, the developer can work on obtaining permits.

Mr. McVay continued with the presentation and stated that the agreement will include sustainable development standards as part of the LIHTC application as well as market to senior Veterans, including those associated with Mesa's Housing Our Heroes program.

Mr. McVay displayed photos of the project building design (See Page 6 of Attachment 1) and reported that the architecture will be consistent with the Encore I and II buildings.

Mr. McVay, in addition, presented the Lot 2 Market-Rate Housing proposal design, which calls for a three-story building that will include 24 units (20 one-bedroom, 4 two-bedroom). (See Pages 7 and 8 of Attachment 1) He added that staff have included in the development and purchase agreement, consideration for the Government Property Lease Excise Tax (GPLET).

Ms. Lewis commented that staff is requesting Council's direction and authorization for the City Manager to enter into two Purchase and Sale Agreements and a Development Agreement with

Mesa Housing Associates II, LLC. She thanked the City Attorney's Office, Mr. McVay and the development team for putting together the project.

Mayor Giles thanked staff for the presentation.

The following citizens spoke in opposition to item 2-a:

Dea Montegue, a Mesa resident, thanked Council for meeting with him in the last several months and responding to his emails regarding this item. He expressed concern regarding the Encore project and cited the recent Texas Housing Authority case on "disparate-impact claims". He stated that approving the project could expose the City and the developer to liability. He commented on a series of concerns relative to the project cost, the request for proposals, and the fact he feels the City is rushing the project without exploring other options. He asked the Council to delay making a decision and create another request for proposals to include market rate development that will be compatible with raising the level of income in Mesa to help influence business growth in downtown.

Betty Freeman, a Mesa resident, spoke in opposition to the tax credit limited income senior housing project. She distributed a document (**See Attachment 2**) that included pros and cons of market rate housing versus low income senior housing. She stated that market rate housing is something that downtown Mesa residents, business owners and property owners want. She added that the Downtown Vision Committee recommendations supported market rate housing, which follows transit oriented development. She stated that the property was identified as one of the few remaining city-owned strategic properties downtown and asked "why give it away"? She further stated that Encore on First is a project designed for low-income seniors that do not have the disposable income needed to help downtown businesses thrive. She asked Council to reconsider accepting the proposal.

Kevin Winn, a downtown property owner, commented that as a property owner and a business owner, he can't support encouraging people with no disposable income to move downtown. He explained that it is difficult to draw people to downtown Mesa and that he understands the City has made great plans and improvements (i.e., light rail) but that Main Street cannot be developed without people that live and spend money in downtown Mesa businesses. He added that the Encore buildings look great but we need to encourage and incentivize market rate housing not subsidized housing.

In response to a question from Councilmember Thompson, Mr. McVay indicated that there are no current projects that define the current market rate rent. He explained that based on responses to other proposals, the anticipated range of rents is somewhere between \$1.00 per square foot to \$1.75 per square foot depending on the size of the units. He added that developers build their business plans based on anticipated rents, and operations and maintenance costs. He added that a developer looking for a "quick flip" could be at a higher risk versus a developer that holds the land for 15 to 30 years.

Mayor Giles invited Charles Huellmantel, a partner with Mesa Housing Associates to speak.

Mr. Huellmantel commented on other affordable and market rate products he has developed in other cities and cited, by way of example, the downtown Tempe senior affordable housing development. He clarified that the LIHTC program and Section 8 housing are different programs. He provided a brief overview of the downtown Tempe affordable housing and market rate developments, which resulted in a desirable place to live and that he is currently working on

building a 13-story market rate product in the same neighborhood. He stated that today a number of people have inadvertently suggested that his company is not bringing forward market rate housing and added that he is bringing 24 units of market-rate housing to the City. He noted that there are risks on both sides of the project and the only way to a better downtown Mesa is to work together and create the market as well as fill the units. He added that the 24-unit market rate development is designed differently than other projects due to the light rail, making it a unique living opportunity.

Mayor Giles thanked Mr. Huellmantel for the presentation.

Responding to a question from Mayor Giles, City Attorney Jim Smith provided a brief background of the U.S. Supreme Court hearing regarding the Texas Department of Housing disparate impact case and noted that the case should not have an impact on this project.

Mayor Giles called for the vote.

It was moved by Vice Mayor Kavanaugh, seconded by Councilmember Glover, that Resolution No. 10753 be adopted.

Upon tabulation of votes, it showed:

AYES – Glover-Kavanaugh-Luna-Richins-Thompson
NAYS – Finter-Giles

Mayor Giles declared the motion carried by majority vote and Resolution No. 10753 adopted.

3. Adjournment.

Without objection, the Special Council Meeting adjourned at 8:10 a.m.

JOHN GILES, MAYOR

ATTEST:

DEE ANN MICKELSEN, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Special Council Meeting of the City Council of Mesa, Arizona held on the 25th day of February, 2016. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, CITY CLERK

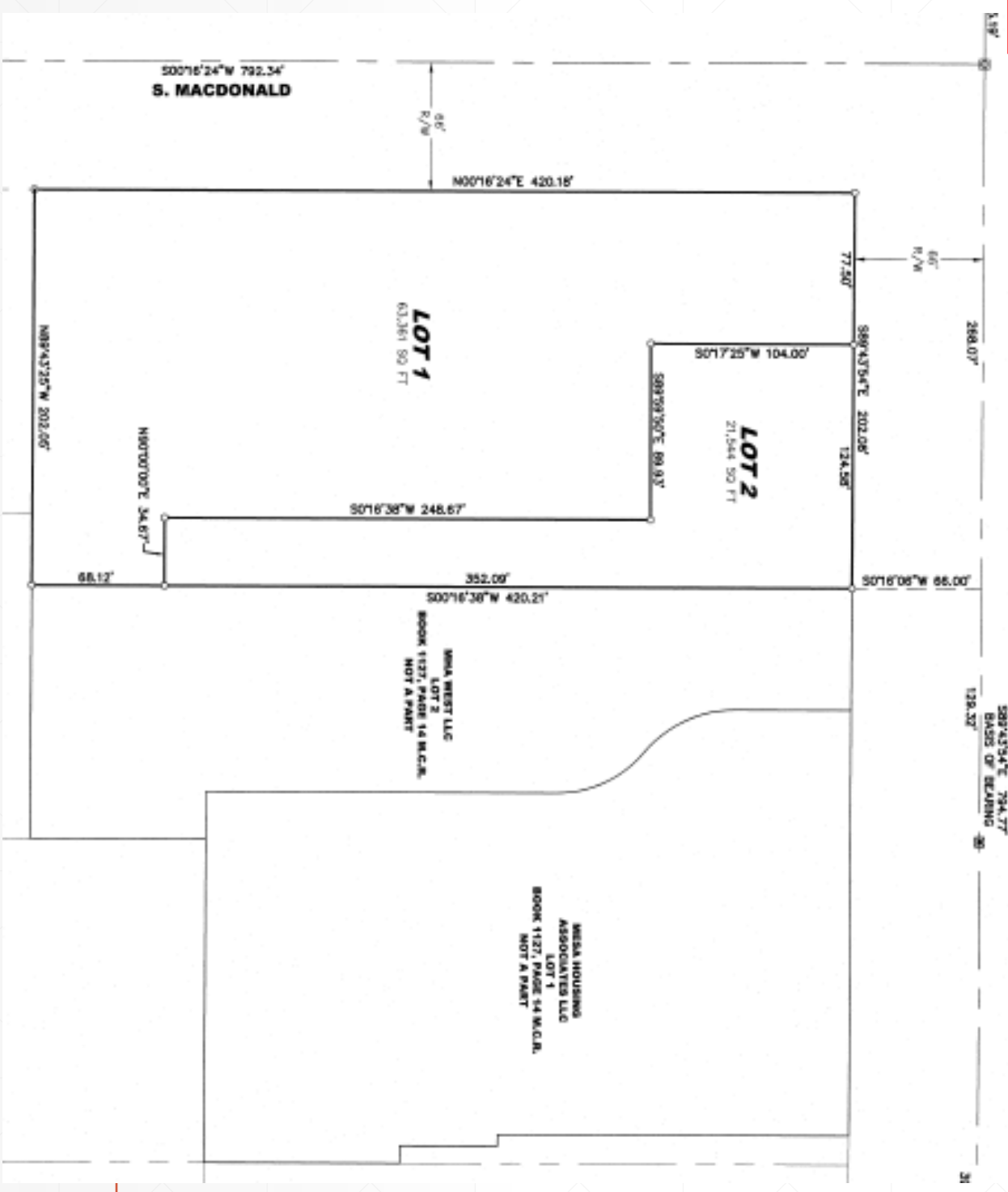
abg
(attachments – 2)



Encore II Proposal

**City Council Special Meeting
February 25, 2016**

PROPERTY



- 50-100 W. 1st Ave.
- 1.95ac
- \$510,000
- Lot 1: 1.455ac
- \$380,591.37
- Lot 2: .495ac
- \$129,408.63

DEVELOPMENT AGREEMENT

Two separate Purchase Agreements

1. Affordable housing project (Lot 1)
 - Development Agreement expires in 15 years
2. Market-rate project (Lot 2)
 - When construction completed, Development Agreement may be terminated for this project only.

Timelines for both projects:

Must begin construction no later than August 31, 2017

Must be completed with construction no later than October 31, 2018

DEVELOPMENT AGREEMENT

Two separate Purchase Agreements

- Both projects must:
 - Be consistent with quality of Encore I
 - Comply with design plans in proposal
 - Ensure reciprocal access easements and parking for both projects
 - Provide street improvements that follow future 1st Ave. streetscape design (issuance of permits contingent on this performance).
-

PURCHASE AGREEMENT (LOT 1) Affordable housing for (55+) seniors

- 71 units (47 one-bedroom; 24 two-bedroom)
 - Five-story building w/ parking
 - Contribution of land for the project (\$380k)
 - Property reverts back to City ownership if developer doesn't perform
 - Closing contingent on receipt of housing tax credits
 - Sustainable development standards
 - Market to senior military Veterans, including those associated with Mesa's Housing Our Heroes program
-



VIEW LOOKING NORTHEAST



VIEW LOOKING WEST



VIEW LOOKING SOUTHEAST

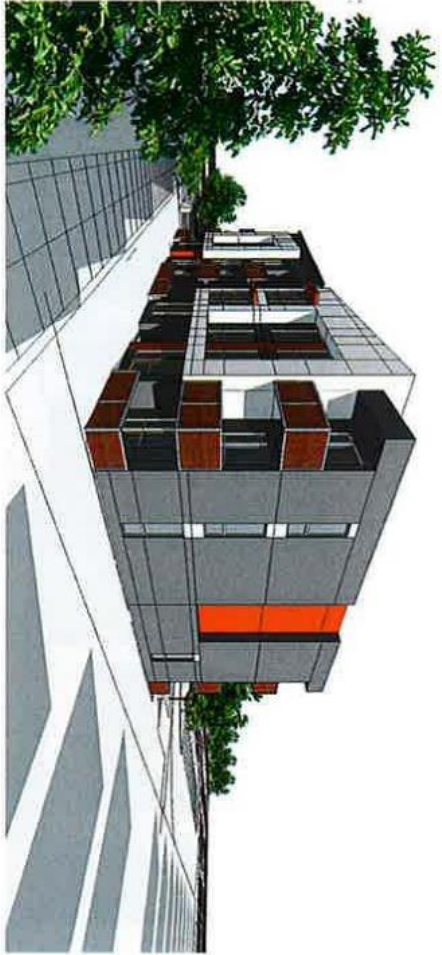


VIEW LOOKING SOUTH

PURCHASE AGREEMENT (LOT 2)

Market-Rate Housing

- 24 units (20 one-bedroom, 4 two-bedroom)
 - Three-story building w/ parking
 - Purchase land at market value (approx. \$129k)
 - Requirements in place before closing and in Development Agreement to incentivize completion
 - Sustainable development standards
 - Consideration for Govt. Property Lease Excise Tax (GPLET), at Council's sole discretion
 - \$129k in escrow before March 1, 2016. Goes hard at award of tax credits. Funding goes to the City toward Lot 2 property purchase.
-



VIEW LOOKING SOUTHEAST



VIEW LOOKING NORTHWEST



VIEW LOOKING SOUTHWEST



VIEW LOOKING NORTH

Direction:

Approving and authorizing the City Manager to enter into two Purchase and Sale Agreements and a Development Agreement with Mesa Housing Associates II, LLC., for the conveyance of approximately 2 acres of real property at the 50-100 block of West 1st Avenue for the development of senior affordable housing and market-rate housing projects.



mesa·az

Questions?

City Council Special Meeting
February 25, 2016

MARKET RATE HOUSING PROPOSAL CARDINAL CAPITAL MGT	TAX CREDIT LIMITED INCOME SENIOR HOUSING by MESA HOUSING ASSOC (formerly Urban Development Partners) PROPOSAL
Who is lobbying for Market Rate Housing? Downtown Mesa residents Downtown Mesa business owners Downtown Mesa property owners City staff members	Who is lobbying for Tax Credit Low Income Housing? (Some City Council Members) Developer
Does Market Rate Housing meet several Visioning Committee Priorities? Three--100 % Market Rate Housing; TOD; Restaurants & Nightlife	Does Tax Credit Housing meet several Visioning Committee Priorities? Two--TOD; small percentage of Market Rate Housing
Investment 24 million	Investment 18 million
City Land Will pay 400K+ w/Gplet	City Land Will not pay for land; COM to give for free + Gplet
Permanent Jobs 30	Permanent Jobs 3
Retail Space 10,000 sq feet	Retail Space None
Market Rate Units 120	Market Rate Units 24
Diversity No restrictions; can include students; all ages and all incomes	Diversity Very restricted; only low income over the age of 55; more age restricted units would add 75 more units of same type of housing already in place
Recent Market Rate Developments Zero	Recent Tax Credit Developments Five (Encore I and II; La Mesita, El Rancho, Escobedo) ArtSpace approved

With COM negotiating to bring an ASU campus to downtown, what is the city's plan for Student Housing? Why choose a proposal that will NOT meet the need for Student Housing, especially for the Universities who have already committed to the downtown.

COM Visioning Committee identified Market Rate Housing as a crucial building block in the redevelopment of Downtown Mesa. As the Committee was tasked "to help chart the growth of Downtown Mesa and to ensure that growth is in alignment with stakeholder and community interests" why is Council ignoring their findings?

What is City Staff's recommendation?

This property has been identified as one of the few remaining city-owned strategic properties in downtown.... why does Council want to give it away?
 Per the Developer's remarks, Encore on First is a project designed for low-income older people who want to live in an urban environment. Low income residents do not have disposable income needed to help downtown businesses thrive and to attract new sustainable businesses to our downtown.

Councilman Thompson stated he is not in favor of taxpayer subsidized housing and always in favor of market rate housing. Why the change of heart?

Councilman Richins stated during the Study Session that Tax Credit Housing is "not quite what we wanted for this site." He also stated that the Market Rate Proposal is of "good quality..high quality". Then if the Tax Credit Project is not really what was wanted for the site, why go forward with it? Why not wait another 6-12 months to get a better fitting project for the site.

Councilman Kavanaugh stated that Cardinal Capital Mgt does have a good reputation. He also stated that rereleasing the RFP would not be fair to the two developers who have made their information public. Council members should be more concerned about what's fair to their constituents, the taxpayers and residents of Mesa, and less about wealthy developers.